

Program Memorandum Carriers

Department of Health and
Human Services (DHHS)
HEALTH CARE FINANCING
ADMINISTRATION (HCFA)

Transmittal B-01-17

Date: March 7, 2001

CHANGE REQUEST 1484

SUBJECT: Durable Medical Equipment Regional Carrier (DMERC) Systems Changes to Enforce Medicare Requirements for Payment for Medicare-Covered Drugs

On October 11, 2000, HCFA published a final rule (65 FR 197) containing standards that a supplier of durable medical equipment, prosthetics, orthotics, and supplies (DMEPOS) must meet in order to bill DMERCs for DMEPOS items. The new regulations amended §424.57 of the Code of Federal Regulations for items the supplier furnished on or after December 11, 2000.

In Change Request 1426, Transmittal B-01-02, HCFA implemented the section of the new DMEPOS supplier standards which required that entities supplying drugs under the DMEPOS benefit must be licensed to dispense drugs regardless of whether such drugs require a prescription. This same policy also applies to equipment, and related supplies and accessories, related to the drugs when the supplier bills them on the same claim as the drugs. HCFA considers physicians who are authorized to dispense drugs as part of their physician's license, and who are also enrolled as a DMEPOS supplier, as meeting this requirement.

DMERCs must implement all necessary systems changes to ensure that DMEPOS suppliers who bill for Medicare-covered drugs are licensed to dispense drugs. The systems changes need to apply to all Medicare-covered drugs for items the supplier furnished on or after December 11, 2000 regardless of whether the drug requires a prescription.

Finally, HCFA is revising Explanation of Medicare Benefits message 8.98 (Medicare Summary Notice message 8.50), for use with assigned claims. The new language of the message will read:

“Medicare cannot pay for this drug/equipment because our records do not show your supplier is licensed to dispense drugs, and, therefore, cannot assure the safety and effectiveness of the drug/equipment. In the future, if you want Medicare to pay for this drug, you must obtain the drug from a licensed pharmacy.”

DMERCs must not apply this policy to Method II claims for EPO.

The *effective date* for this Program Memorandum (PM) is July 1, 2001.

The *implementation date* for this PM is July 1, 2001.

These instructions should be implemented within your current operating budget.

This PM may be discarded after July 1, 2002.

If you have any questions, contact Renée Hildt at (410) 786-1446.

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